



Finance Bulletin

Keely Bosler, Director

Economic Update

California's poverty rate decreased marginally from 12.1 percent in 2017 to 11.9 percent in 2018. The nation's poverty rate decreased from 12.3 percent in 2017 to 11.8 percent in 2018. California inflation in the first half of 2019 was 3.1 percent, versus 3.6 percent in 2018. U.S. inflation in the first half of 2019 was 1.7 percent, versus 2.5 percent in 2018.

LABOR MARKET CONDITIONS

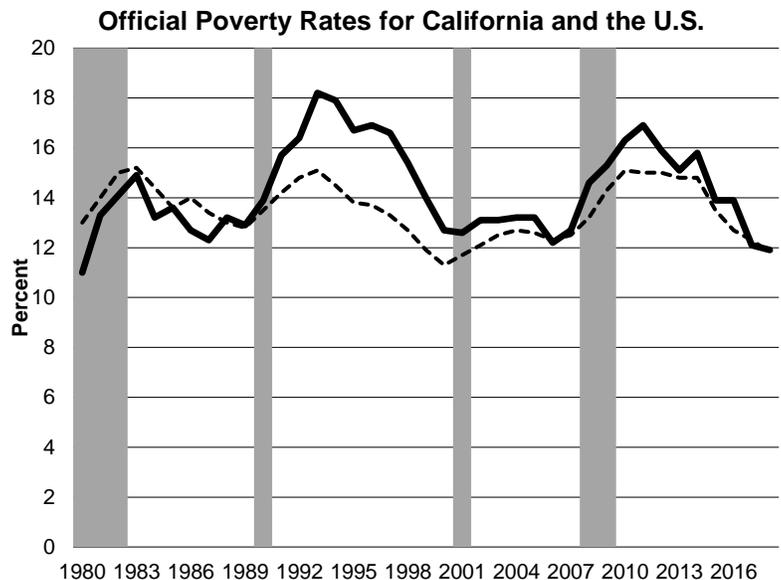
- California's unemployment rate fell 0.1 percentage point to 4.1 percent in July, matching the second half of 2018 for the state's lowest unemployment rate on record. In comparison, the nation's unemployment rate held steady at 3.7 percent for a third straight month in August, remaining at near-record low. California's labor force and employment declined by 35,000 and 25,000 persons, respectively, in July, marking the fifth consecutive month of declines for both. The state's labor force participation rate fell by 0.2 percentage point to 62.0 percent in July, down by 0.8 percentage point over the previous four months.
- California added 19,600 nonfarm jobs in July (or 12 percent of the total jobs gained in the nation in July), following a downwardly revised job gain of 41,300 in June. The state's average monthly pace of job gains year to date (27,000) is ahead of the 2018 pace (22,000). Year-over-year job growth was 1.8 percent in California versus 1.5 percent in the nation in July. Six of the state's 11 major industry sectors added jobs in July. Professional and business services (12,900) and educational and health services (12,600) added the most jobs. Other industry sectors that added jobs were trade, transportation, and utilities (4,200), financial activities (4,100), manufacturing (1,100), and other services (700). Five industry sectors lost jobs in July. Leisure and hospitality lost the most jobs (9,200), followed by government (3,200) and information (2,500). Construction (800) and logging and mining (300) also lost jobs in July.

BUILDING ACTIVITY

- California housing units authorized by building permits totaled 112,000 units on a seasonally adjusted annualized rate in July. While up 39 percent from the previous month, it was down 15 percent from the prior year. The July permits included 62,000 units of single-family housing and 50,000 units of multi-family housing. The annualized rate of authorized housing units in the first seven months of 2019 averaged 106,000 compared to 127,000 in the first seven months of 2018.
- The state's nonresidential building permits' annualized valuation in July was \$41.3 billion, up 18 percent from the previous month and up 30 percent from the prior year. The annualized average in the first seven months of 2019 was \$34.5 billion, up 2.1 percent from the same period in 2018.

REAL ESTATE

- Statewide sales of existing single-family homes totaled 411,630 units in July on a seasonally adjusted annualized basis, which is up 5.6 percent from June and up 1.1 percent from July 2018—the first time in over a year that home sales increased on a year-over-year basis. After setting record highs in April, May, and June, California's median home price dropped 0.4 percent in July to \$607,990, although this is up 2.8 percent on a year-over-year basis. The 30-year, fixed-mortgage interest rate averaged just 3.77 percent in July—the lowest in nearly three years.



Source: U.S. Bureau of the Census, Current Population Survey,

MONTHLY CASH REPORT

After finishing fiscal year 2018-19 above the 2019-20 Budget Act forecast by \$1.04 billion, preliminary General Fund agency cash for the first two months of the fiscal year was \$186 million above the 2019-20 Budget Act forecast of \$17.539 billion. Revenue for the month of August was \$250 million below the forecast of \$9.745 billion.

- Personal income tax revenues to the General Fund for the first two months of the fiscal year were \$21 million below forecast. Revenues for August were \$289 million below the forecast of \$6.213 billion. Withholding receipts were \$250 million below the forecast of \$5.891 billion. Other receipts were \$25 million lower than the forecast of \$759 million. Refunds issued in August were \$19 million higher than the expected \$325 million. Proposition 63 requires that 1.76 percent of total monthly personal income tax collections be transferred to the Mental Health Services Fund (MHSF). The amount transferred to the MHSF in August was \$5 million less than the forecast of \$111 million.
- Sales and use tax receipts were \$129 million below forecast for the first two months of the fiscal year. Receipts for August were \$154 million below the forecast of \$2.724 billion. August cash includes a portion of the final payment for the second quarter sales, which was due July 31. August receipts also include the first prepayment for third quarter sales.
- Corporation tax revenues for the first two months of the fiscal year were \$181 million above forecast. Revenues for August were \$62 million above the month's forecast of \$206 million. Estimated payments were \$52 million above the forecast of \$114 million, and other payments were \$20 million lower than the \$174 million forecast. Total refunds for the month were \$30 million lower than the forecast of \$82 million.
- Insurance tax revenues for the first two months of the fiscal year were \$142 million above forecast. Insurance tax revenues for August were \$138 million above the forecast of \$479 million, due likely to timing. Revenues from alcoholic beverage, tobacco taxes, and pooled money interest were \$18 million above forecast for the first two months of the fiscal year, and were \$3 million above the forecast of \$76 million for the month of August. "Other" revenues for the first two months of the fiscal year were \$5 million below forecast, and \$11 million below the forecast of \$48 million for the month of August.

2019-20 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	AUGUST 2019					2019-20 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$6,213	\$5,924	-\$289	-4.6%		\$11,615	\$11,594	-\$21	-0.2%
Sales & Use	2,724	2,570	-154	-5.6%		4,456	4,327	-129	-2.9%
Corporation	206	268	62	30.0%		563	744	181	32.2%
Insurance	479	617	138	28.9%		501	643	142	28.4%
Pooled Money Interest	41	42	1	2.6%		97	118	21	21.7%
Alcoholic Beverages	30	30	-1	-2.0%		68	64	-4	-6.2%
Tobacco	5	7	2	49.1%		11	12	1	9.2%
Other	48	37	-11	-23.1%		228	223	-5	-2.0%
Total	\$9,745	\$9,495	-\$250	-2.6%	 	\$17,539	\$17,725	\$186	1.1%

This is an agency cash report and the data may differ from the Controller's report to the extent that cash received by agencies has not yet been reported to the Controller.

Totals may not add due to rounding. The forecast is from the 2019-20 Budget Act.